Accumulation Phase | Reversal Hunters

The longer lasts a rally the more traders come on board.
First two phases of the bull market have very narrow participation

***Accumulation Phase** is driven by **"reversal hunters"** or **"contrarians".** They can't stand a sustained trending move. They love to oppose themselves to the general prevailing sentiment in the market. They buy when most others are selling and sell when others are buying.*

"Theory of Innovations"

Everett M. Rogers was an eminent American communication theorist and sociologist, who originated the diffusion of innovations theory and introduced the term ***early adopter.***

In 1962 Everett Rogers, a professor of rural sociology, published his book "Diffusion of Innovations". This book was based on his findings in research that examined ***how ideas are spread among groups of people****. He identified* ***five major stages of adoption of innovation, new idea, product*** *or practice by members of a given culture.*
Rogers found out that ***new ideas are not adopted by all individuals in a social system at the same time****.* ***It takes different time for different people to begin using the new idea.*** *He proposed a classification of all the members of a society into five groups based on criteria of how long it takes for them to begin using the new idea.*

"Early Adopters" or "Experts"

"Early adopters tend to be integrated into the local social system more than innovators. People in the early adopter category seem to have the greatest degree of opinion leadership in most social systems. They provide advice and information sought by other adopters about a novelty. The early adopter is usually respected by his or her peers and has a reputation for successful and discrete use."
of new ideas .
(Rogers, 1971).

"Innovators" or "Reversal Hunters" or "Contrarians"

Innovators are the first customers to try a new product. They are, by nature, risk takers and are excited by the possibilities created by new ideas and new ways of doing things. Innovators are ***the first 2.5 percent of a group to adopt a new idea.***

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In financial markets they are ***"reversal hunters"*** *or* ***"contrarians".*** *They can't stand a sustained trending move. They love to oppose themselves to the general prevailing sentiment in the market.* ***They buy when most others are selling and sell when others are buying. They are risk takers and tend to buy too early in the bear market and short too early in the bull market.*** *But they are financially and emotionally prepared to withstand pressure of the market.*

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But they are financially and emotionally prepared to withstand pressure of the market.

"The innovator is also willing to accept the occasional setback when new ideas prove unsuccessful."
(Rogers, 1971).

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The first phase of a new developing trend is always weak. The driving force behind it is "innovators". There are only few reversal seekers, traders who believe that preceding decline is over and a new trend is under way.

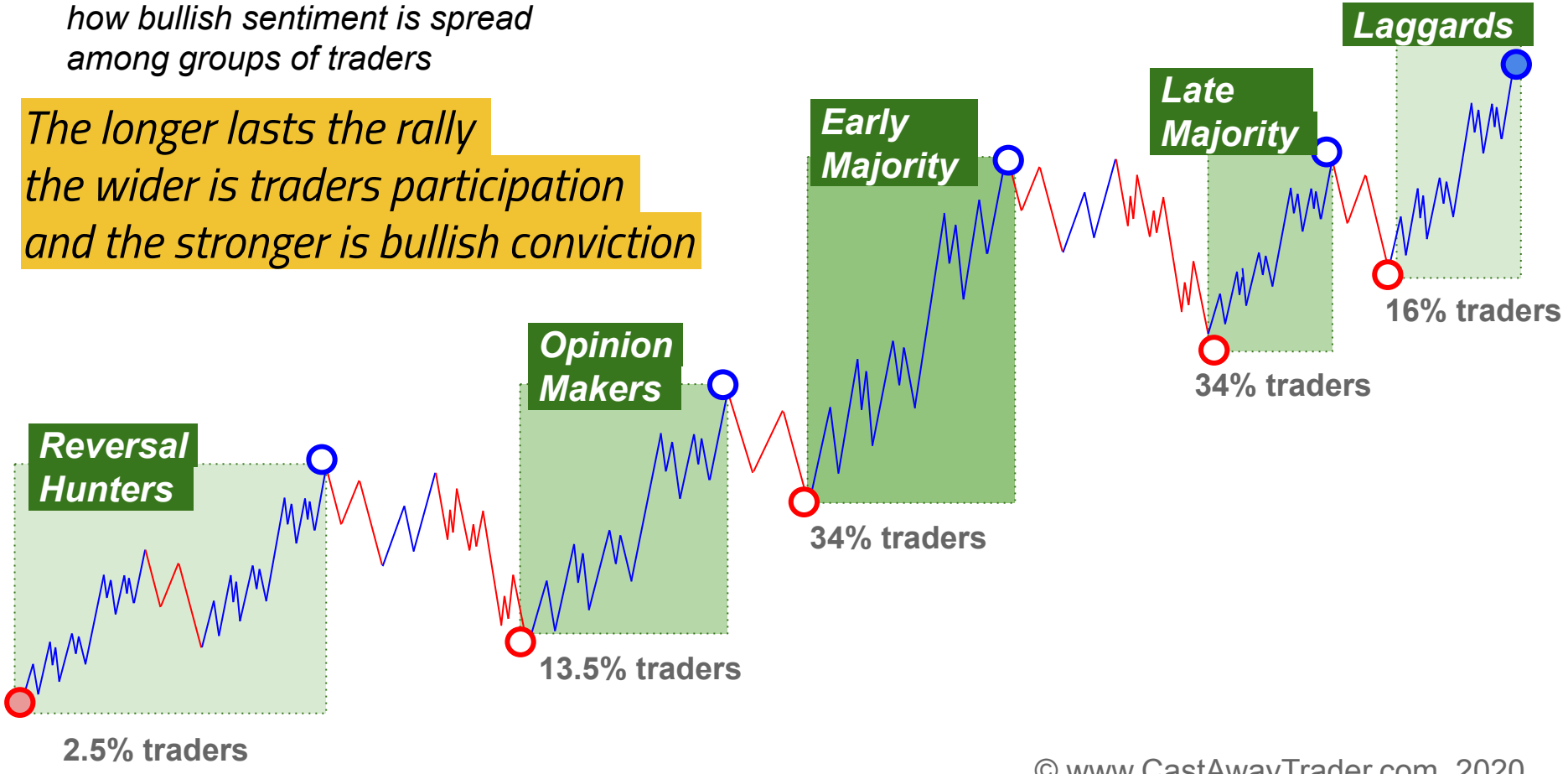
Accumulation Phase | Reversal Hunters

During Accumulation Phase the majority of market participants still feels bearish and considers that first move up off a major low made by preceding decline as an opportunity to add to their shorts.

Phases of a Bull Market

how bullish sentiment is spread among groups of traders

The longer lasts the rally
the wider is traders participation
and the stronger is bullish conviction



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